Chapter 1 - People in Business

1 (2007)

8. **Two** parties in business (identify): Employers and Employees
Competitive relationship (describe): parties with different aims, win/lose relationship e.g. claim for pay increase.

2 (2017)

A. (i) Explain the term **co-operative relationship** between stakeholders in a business.

Question			Possible Responses	Max Mark
1	(A)	(i)	A co-operative relationship exists where both parties work together to achieve a **common goal**. It is a **win-win relationship/mutual benefit**, where both sides gain and are better off afterwards than they were before.	(2+3)

(A) (ii) Describe **one** example of a co-operative relationship which could arise between **each** of the following pairs of stakeholders:

- Employer and employee
- Investor and Manager of a business
- Producer and consumer.

Question			Possible Responses	Max Mark
1	(A)	(ii)	• **<u>Employer and Employee</u>** **<u>A fair wage, which reflects work being done and qualifications and skills of employees, is offered by the employer and a fair day's work is provided by the employee.</u>** Wages/Good pay and conditions of work • Employee benefits from being rewarded good pay and conditions for their work if they meet agreed targets. • Employer benefits from increased productivity/staff motivation/higher profits caused by employees working harder / job satisfaction.	3@5(2+3) Example of benefit to each stakeholder required

<u>Employee involvement in decision making results in less industrial relations problems for the employer</u>

Allowing a representative of the workforce on a board of directors or allowing employees an input into decision making

- Employee benefits from gaining a greater understanding of employers viewpoints and are more likely to accept and embrace workplace change.
- Employer loses less days due to industrial relations conflict/strike. They may also acquire new ideas from the employees which they had not considered.

<u>Delegation of responsibility to employees, leads to a more positive workforce and increased productivity for the employer.</u>

<u>Union Recognition</u>

- Employees benefits from the knowledge that their rights have been accepted in the workplace. This leads to a good industrial relations climate.
- Employer benefits from having an efficient mechanism for preventing/solving disputes.

<u>Safe and healthy work environment</u>

The employer provides a better and healthy working environment, meeting the legal and moral requirements and the employee feels safe, leading to a productive environment.

- **<u>Investor and Manager</u>**

The financial resources provided by investors are not wasted but are used productively by management to generate a fair return on investment for the investor.

Transparent Financial **Information:**

All financial information provided by the manager to investor is accurate and up to date. The manager uses the investment appropriately.

- Investor will benefit from seeing that their investment is safe.
- Manager will find it easier to acquire the necessary finance to fund new projects.

			Reasonable remuneration is sought by senior management: If senior management avoid seeking excessive payments investors may be more willing to invest as fair return on investment can be received. • **<u>Producer and Consumer</u>** Brand Loyalty: Where the consumer repeatedly purchases the good • Producer maintains the quality of the product • Consumer benefits from certainty in the quality that they purchase, leading to repeat purchase and brand loyalty. Agreed terms of sale (fair price, profit margin) • Producer – provides a quality product at a reasonable price. • Consumer – pays a reasonable price for the product based on its quality/value for money. The producer has an open and fair complaints procedure and consumer complaints are dealt with in a fair manner.	
			<u>Negotiation</u> • Both parties bargain with each other/a **process of bargaining** • Seek to discover common ground and reach agreement to settle a matter of mutual concern • A **compromise** is reached that both parties find acceptable. **<u>Conciliation</u>** • The third party attempts to get both sides of the dispute to talk / separately and jointly. • The third party may offer a solution to the problem. • The parties involved decide on the solution themselves /**not legally binding.** **<u>Arbitration</u>** • The third party listens to both sides and **makes a decision** /judgement on the solution. • Both parties agree in advance to accept the solution/to abide by the decisions made. **Evaluation required**	3@6(3+3) 2m

(C) (i) Name the act which protects consumers who purchased the Samsung Galaxy Note 7.

Question			Possible Responses	Max Mark
1	(C)	(i)	The Sale of Goods and Supply of Services Act 1980.	2 marks

(C) **(ii)** Outline **three** provisions of the act regarding a consumer's statutory (legal) rights in relation to the Samsung Galaxy Note 7.

Question			Possible Responses	Max Mark
1	(C)	(ii)	**Goods should be of merchantable quality** Goods should be of **reasonable standard**/quality **taking into account what they are supposed to do, their durability and their price**. The mobile phone is a high price commodity, therefore should be of a high standard. **Goods must be fit for the purpose intended** This means that the goods must be able to do what they are supposed to do and what they were designed for (i.e. fit for the particular purpose for which the buyer intends to use them). **Goods sold must be as described by the sales person** If phone is purchased from a demonstration of the salesperson, the actual phone purchased should correspond with the demonstration. **Redress** If the complaint is valid the consumer is entitled to one of the three R's – refund, replacement or repair. If a consumer purchases a faulty phone and complains promptly then s/he is entitled to a full cash refund or replacement. The form of redress is **dependent on how serious the fault is, the time it occurred and how soon after the purchase the complaint was made.** **Retailer is legally responsible under the act** The consumer's legal right is against the retailer under the Act rather than the manufacturer. **Guarantees** The guarantee is only an additional right whereby the consumer can have the product fixed under the manufacturer's guarantee.	3@6(3+3) Merchantable Quality Compulsory point.

1	A		**Describe one example of a co-operative relationship and one example of a source of conflict that could arise between the following stakeholders:**	20
		i	Investor and Entrepreneur A co-operative situation would arise when the entrepreneur gives open, transparent and honest information to the investor e.g. accurate business plans and cash flow forecasts and in return the investor provides a reasonable rate or return etc. A possible source of conflict could arise if the entrepreneur gives false information to the investor / defaults on loan repayments/ does not give an adequate return to the investor/re-invests profits rather than give a return to the investor. Investor may want immediate returns and is not prepared to wait/may want greater returns out of profits rather than retaining funds in the business for further expansion. Where there is a downturn in business the entrepreneur may request more time to repay the loan while the investor may insist repayments as per agreed schedule.	
		ii	Supplier and Purchasing Manager A co-operative situation would arise when the supplier provides good quality raw materials, components and finished goods to the purchasing manager who pays on time and offers a fair price. A possible conflict situation could arise if poor quality materials are provided/ poor after sales service offered by the supplier. The purchasing manager fails to pay for goods purchased on credit creating a bad debt for the supplier. There may be conflict between the two sides as to their perceptions of what is a fair price and as to what the optimum quality is.	

1 **B**

Describe the role of any **two** 'Interest Groups' in business. 15

An interest group is an organisation which represents the common viewpoint, objectives and goals of particular group/stakeholders e.g. IBEC, ICTU, IFA, SIMI and ISME etc.

An interest group seeks to influence decisions and policy affecting its members, through various actions including negotiation, lobbying, information campaigns, public protests, boycotting and possibly legal action.

Lobbying is the deliberate effort to influence the decision making process by promoting a particular point of view with government or MEPs or with other organisations. Interest groups may or may not succeed in achieving their desired objectives.

Example:

Irish Congress of Trade Unions (ICTU) - Represents almost all trade unions in Ireland.

- Represents and advances the economic and social interests of working people;
- Negotiates national agreements with government and employers, when mandated to do so by constituent and member unions;
- Promotes the principles of trade unionism through campaigns and policy development.
- Provides information, advice and training to unions and their members;
- Assists with the resolution of disputes between unions and employers;
- Regulates relations between unions and rules on inter-union disputes etc.

Example:
The Irish Farmers Association (IFA) actively represents and serves over 965 branches and 90,000 members. The IFA engaged in intense lobbying in Brussels to obtain greater flexibility on milk quotas in advance of their 2015 abolition.
The IFA lobbies national governments to initiate pro farming policies that would improve and consolidate farm incomes (loss leader sale of vegetables in the large multiples at Christmas time) etc.

Example:
Irish Business and Employers Confederation (IBEC) - Represents employers on industrial relations matters.
Negotiates with government and ICTU on wage agreements.
Advises members on the effects of new EU legislation etc.

5 (2011)

(A) Outline using examples, the relationship that can exists between 'Investors' and 'Entrepreneurs' in business.

- Investors and Entrepreneurs are stakeholders in the business.
  They rely on each other with the entrepreneur dependent on the investor for finance and the investor dependent on the entrepreneur for a return on his/her investment.
  Investors provide **finance** for the business (shareholders/Banks/State bodies) and expect a return from their investment.
  Entrepreneurs are the risk takers. They provide the **initiative** to start the business with the hope of making a profit.

  Co-operative relationship - Working together towards a common goal/acting in a mutually beneficial manner (win/win).
- The relationship is **co-operative** when the entrepreneur gives open, transparent and honest information to the investor e.g. accurate business plans and cash flow forecasts and in return the entrepreneur receives finance at a reasonable rate from the investor.

- **Competitive** relationship -Both go after the same thing but only one gets it. Each tries to win over the other (win/lose).
  The entrepreneur and the investor compete with each other. The entrepreneur is prepared to take further risks to develop the business and to use the profits for expansion, while the investor may wish the profit to be paid out regularly(less risk/safety of investment).

(15 marks)

6 (2009)

(B) Discuss how consumers may benefit from the existence of a competitive relationship between producers.

A competitive relationship between producers in the same line of business means each is pursuing different objectives in an effort to achieve particular objectives at the expense of the other (win-lose relationship). This is beneficial for the consumer as every business must work hard to satisfy customer needs.

Examples:

Producers in the same line of business may compete on prices of goods and services, quality, sales, recruitment of labour etc.

<u>Customer will benefit from:</u>

- Improved quality
- Improved customer Service
- Better choice of products
- Better value for money

7 (2008)

(A) Competitive Relationship

A competitive relationship between two producers in the same line of business means each is pursuing different objectives in an effort to achieve particular objectives at the expense of each other. This is beneficial for the consumer as every business must work harder to satisfy consumer needs

Examples:

Producers in the same line of business may compete on prices of goods and services, quality, sales, the recruitment of labour etc.

Co-operative Relationship

A co-operative relationship exists where joint action or effort is required so that producers work together to everyone's benefit/towards a common goal/act in a mutually beneficial manner.

Examples:

Producers in the same line of business sometimes get together and co-operate with each other to protect their specific industry against an outside threat/to encourage economic development and to create jobs for the benefit of the community/ two producers may get together to lobby government to solve problems of mutual interest.

8 (2006)

(A) Competitive or Co-operative relationship – (discuss with examples)

Competitive relationship: An enterprise and its stakeholders can pursue different objectives to each other or attempt to achieve particular objectives at the expense of each other. This can involve people within the enterprise and outside interests which impact on the enterprise. A competitive relationship within an enterprise might be where salespeople compete with each other for orders or employees compete for promotion. Outside an enterprise, examples of competitive issues can relate to prices and the recruitment of employees.

Co-operative relationship: An enterprise and its stakeholders can work together for their mutual benefit. This requires joint action or effort and can occur between people within an enterprise, e.g. employees helping each other in a spirit of teamwork to achieve a certain level of sales or profit.

Question 1

(A) Producers

Producers/suppliers are the makers, manufacturers and suppliers of goods and services. The producer is interested in making a profit but will only be able to do so if the consumers are satisfied with the product. The producer will make goods that satisfy consumer wants and needs, e.g. cars, domestic appliances, etc. The producer may also make goods which are used in a production process to make other goods. In both cases satisfying the consumer is vital. The interests of consumers and producers are sometimes in conflict because the consumer wants low prices and high quality while the producers want high prices and profit. Producers must know: What product to produce. What quantity of it to make. What to charge for it (the selling price). The group of customers it is being produced for (the target market).

Consumers

Consumers are the purchasers or users of goods and services supplied by firms. Consumers can be individuals or other organisations. They are often businesses who are in competition with other businesses but all consumers try to satisfy their wants by buying products and services that are:
of good quality, reasonably priced, available when required and provided with good after-sales service.
Individual consumers usually buy goods like food and durables (eg televisions, DVD players) etc.
Business enterprises buy raw materials or goods for stock which they sell to other consumers. The Government and its administration purchase all types of goods and services.
The success or failure of an enterprise depends on whether consumers are loyal to the business. If consumers like a product and become used to it, then often regardless of changes made to it, they will continue to buy it. That is why a business enterprises that wishes to remain in business will pay close attention to consumer needs. Use can be made of market research, for instance, to get a regular reaction to products and services from a consumer group. The information from the consumer group will then be used to make decisions about the product.

10 (2004)

Question 1. (A) A co-operative and a competitive relationship.
Co-operation. A co-operative relationship exists where joint action or effort is required so that people can work together to everyone's benefit eg. employees helping each other in a spirit of teamwork to achieve a certain level of sales or profit for an enterprise or one business co-operating with another business in the marketing or distributing of each other's products or services.
Businesses sometimes get together and co-operate with each other in local areas to encourage economic development and the to create jobs which benefits the whole community.
People working and co-operating together in a business make it successful. Employees co-operate with their employers. They agree pay and working conditions and produce goods and services for customers. They may also co-operate with each other by consulting each other and making decisions together e.g. worker representatives on the board of directors.
A business will more than likely have outside investors. The relationship between the owners of the business and the investor must be one of co-operation to ensure that both of them gain. Money will have to be made by the enterprise to give the owners (shareholders) an adequate profit and the investor an adequate return.
Producers listen to their customers and co-operate with them to supply the goods and services that are needed and wanted by them. Customers trust their producers to supply them with high quality goods at prices they can afford.
Competition. A competitive relationship within an organisation might be where salespeople compete with each other for orders, employees compete for promotion or departments for cost savings. Outside the organisation, elements like price, quality and service are common areas of competition between business enterprises who are competing with each other for market share.
Competing interests among the parties to business form the background in which business activity takes place. All interests compete with each other in the business enterprise and businesses are always in competition with other businesses for sales, the recruitment of labour and in the price of goods and services.
Consumers are interested in the best value for money possible.
Suppliers and producers are interested in having customers buying at the right price.
The government is interested in collecting taxes and keeping employment levels high.
The trade unions are concerned with working conditions and pay rates for their members.
The employees of the enterprise and interest groups may be interested in possible damage to the environment, health risks, etc.
Sometimes one might find a mixture of competition and co-operation between business enterprises. By co-operating with each other for example on storage and distribution of goods the enterprises may feel that total market share would increase and all businesses will gain. Competition would still exist however in areas such as advertising, sales techniques, product design/development and price.

11 (2002)

(A) **Producers/suppliers** are the makers, manufacturers and suppliers of goods and services. The producer makes goods that satisfy consumer wants and needs, e.g. cars, domestic appliances, etc. Producers want high prices and profit. Producers are interested in the product to produce, the quantity of it to make and the price to charge for it. Interest groups may affect these producers interests.

Consumers
Consumers are the users or purchasers of goods or services from business enterprises. They consider price, quality and service in their decision to purchase. Enterprises pay particular attention to customer needs.

Interest Groups
Interest groups are groups that wish to influence the political and decision-making process but are not part of the accepted political structures. They are groups who put pressure on government and the EU to accept their position on an issue. They can cause bad publicity for the business. This can increase costs as more advertising is needed to counter the bad publicity. The image of the business may be damaged resulting in a fall-off in the demand for its products.
Examples: Promotional pressure groups e.g. Greenpeace (environmental protection), The Consumers Association of Ireland, etc.

Entrepreneurs
An individual or a group of people who undertake the risk of establishing and running a business are known as entrepreneurs. The risks the entrepreneur takes cannot be insured against. They follow through on ideas and take the chance of failure. They take the risk of organising all the resources necessary to provide a product or service. They not only see an opportunity, e.g. a new product or service, but they set out to exploit that opportunity. Entrepreneurs are in business for themselves and their personal profit, the reward they get for their ambition and drive. They usually make all the business decisions and rely on their own good judgement.

Intrapreneur – Manager
The intrapreneur engages in entrepreneurial activities eg. coming up with new ideas and turning them into profitable activities, from inside an organisation. An intrapreneur would therefore work for an enterprise/organisation e.g. a transnational company or a government department etc.

Investors
Entrepreneurs usually need capital to develop their ideas and this is where the investor comes into the picture. Since all the profits go to entrepreneurs they are motivated to organise the capital by contacting an investor(s). An enterprise needs money to finance its activities. Investors make money available to an enterprise, i.e. they risk funds in a project that may or may not profit them in the future. The money is used for the purchase of assets and to finance the enterprise, initially and on ongoing basis. Investors can be banks, grant agencies etc.

Employers
People who employ people to work for them for wages. Responsibilities include having fair discipline, providing safe work environment, equal opportunities and compliance with contracts.

Employees
Employees work for other people, producing goods or providing services. Their rights include the receipt of reasonable wages, safe working conditions, trade union membership and a contract of employment. Their responsibilities include honest work, compliance with reasonable directions and compliance with agreed conditions of the contract.

(B) Co-operative and Competitive relationships
Co-operation

A co-operative relationship exists where joint action or effort is required so that people can work together to everyone's benefit.

- Employees helping each other in a spirit of teamwork to achieve a certain level of sales or profit for an enterprise.
- One business co-operating with another business in the marketing or distributing of each other's products or services
- Businesses sometimes get together and co-operate with each other in local areas to encourage economic development and the to create jobs which benefits the whole community.
- Employees co-operate with their employers. They agree pay and working conditions and produce goods and services for customers.
- They may also co-operate with each other by consulting each other and making decisions together e.g. worker representatives on the board of directors.
- The relationship between the owners of the business and the investor must be one of co-operation to ensure that both of them gain.
- Producers listen to their customers and co-operate with them to supply the goods and services that are needed and wanted by them. Customers trust their producers to supply them with high quality goods at prices they can afford.

Competition

All interests compete with each other in the business enterprise and businesses are always in competition with other businesses for sales, the recruitment of labour and in the price of goods and services. Competitive relationships within an organisation might be where:

- Salespeople compete with each other for orders.
- Employees compete for promotion or departments for cost savings.
- Areas like price, quality and service are common areas of competition between business enterprises who are competing with each other for market share
- Consumers are interested in the best value for money possible. Suppliers and producers are interested in having customers buying at the right price.
- The government is interested in collecting taxes and keeping employment levels high.
- The trade unions are concerned with working conditions and pay rates for their members.
- The employees of the enterprise and interest groups may be interested in possible damage to the environment, health risks, etc.

12 (2001)

(a) Entrepreneurs and Investors 7 + 8 marks. (4+3 and 4+4) Contrast